

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>COUNTY OF LAPEER - SINGLE AUDIT</b>	County <b>LAPEER</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>5/20/04</b>	Date Accountant Report Submitted to State: <b>8/31/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>STEWART, BEAUVAIS &amp; WHIPPLE, PC</b>			
Street Address <b>1979 HOLLAND AVENUE</b>	City <b>PORT HURON</b>	State <b>MI</b>	ZIP <b>48060</b>
Accountant Signature <i>Stewart, Beauvais &amp; Whipple</i>		Date <i>8/31/04</i>	

**LAPEER COUNTY, MICHIGAN**

**SUPPLEMENTARY INFORMATION TO  
BASIC FINANCIAL STATEMENTS**

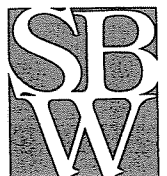
**(FEDERAL AWARDS)**

**FOR THE YEAR ENDED DECEMBER 31, 2003**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



# LAPEER COUNTY, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY FINANCIAL INFORMATION

To the Board of Commissioners  
of Lapeer County  
Lapeer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements. Those financial statements are the responsibility of Lapeer County's management. Our responsibility is to express opinions on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinions on the financial statements that collectively comprise Lapeer County, Michigan's basic financial statements. The Schedule of Federal Expenditures of Federal Awards presented on Pages 6 through 9 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. The information in this schedule has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stewart, Beauvais & Whipple*

Certified Public Accountants

May 20, 2004



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners  
of Lapeer County  
Lapeer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon, dated May 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the County of Lapeer, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Lapeer County, Michigan in a separate Management Letter on Compliance Issues dated May 20, 2004.

**Internal Control over Financing Reporting**

In planning and performing our audit, we considered the County of Lapeer, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of Lapeer, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-1 and 03-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the County of Lapeer, Michigan, in a separate letter dated May 20, 2004.

This report is intended solely for the information and use of the audit committee, management, the County Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

May 20, 2004



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners  
of Lapeer County  
Lapeer, Michigan

**Compliance**

We have audited the compliance of the County of Lapeer, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County of Lapeer, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Lapeer, Michigan's management. Our responsibility is to express an opinion on the County of Lapeer, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Lapeer, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Lapeer, Michigan's compliance with those requirements.

In our opinion, the County of Lapeer, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

## Internal Control Over Compliance

The management of the County of Lapeer, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Lapeer, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the County Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

May 20, 2004



**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed Through the Michigan Department of Community Health:</u>			
Special Supplemental Food Program for Women, Infants, and Children - WIC	10.557	N/A	\$ 160,430
<u>Passed Through Valley Area Agency on Aging:</u>			
Nutrition Program for the Elderly (Commodities)	10.570	N/A	60,040
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>220,470</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Passed Through Michigan Jobs Commission:</u>			
Community Development Block Grant/ Small Cities Program - Housing Rehabilitation	14.219	MSC 03-31-HO	41,639
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>41,639</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
<u>Passed Through The Michigan Department of State Police:</u>			
State Home Land Security Grant Program	16.007	N/A	
State Domestic Preparedness Exercise Grant			4,942
State Domestic Preparedness Equipment Grant			81,173
Emergency Management Performance Grant			22,340
			<u>108,455</u>
<u>Passed Through The Michigan Family Independence Agency:</u>			
Juvenile Accountability Incentive Block Grants	16.523	JAIBG-02-44001	8,184
Juvenile Accountability Incentive Block Grants		JAIBG-03-44001	4,474
			<u>12,658</u>
<u>Passed Through Michigan Department of Community Health:</u>			
Byrne Formula Grant	16.579		
Juvenile Drug Court		9XDBVX0026	7,013
Local Law Enforcement Block Grant	16.580		
Truancy Officer		9XLBVX0344	99,719
Youth Prevention and Intervention Strategies	16.592	80090-1L02	19,722
			<u>126,454</u>
<u>Passed Through Michigan State Office of Drug Control Policy:</u>			
Drug Control System Improvement Formula Grant - Thumb Narcotics Unit	16.579	70220-9k99	78,134
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>325,701</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Passed Through the Michigan Department of State Police :</u>			
State and Community Highway Safety - Drive Michigan Safely Task Force	20.600	N/A	4,980

**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Passed Through the Michigan Department of Environmental Quality:</u>			
State Indoor Radon Grants - Indoor Radon Grant (a)	66.032	N/A	\$ 900
State - Interstate Water Pollution Control Program Program Support - Wellogic Requirement (a)	66.419	N/A	1,554
Drinking Water State Revolving Fund Program Program Support - State Revolving Fund Loan (a)	66.468	N/A	5,913
Operators of Small Water System Program Program Support - Operator Certification (a)	66.471	N/A	7,200
Hazardous Waste Management State Program Support - Hazardous Material Disposal (a)	66.801	N/A	<u>15,903</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>31,470</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
<u>Passed Through Michigan Department of State Police:</u>			
Federal Emergency Management Food and Shelter Program Emergency Food Shelter	83.523	N/A	19,441
State Home Land Security Grant Program 2002 Supplement Planning Grant	83.562	N/A	<u>13,914</u>
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			<u>33,355</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through Lapeer County Intermediate School District:</u>			
Early on Program	84.181A	N/A	15,856
Infants and Toddlers with Disabilities - Early on Program	84.181	N/A	<u>95,038</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>110,894</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed Through - Valley Area Agency on Aging:</u>			
Special Programs for the Aging-Title III, Part D- Disease Prevention and Health Promotion Service	93.043	N/A	7,000
Special Programs for the Aging - Title III , Part B - Grants for Supportive Services and Senior Centers - Chore Maintenance	93.044	N/A	9,200

**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - (cont'd):</u>			
<u>Passed Through - Valley Area Agency on Aging:</u>			
Special Programs for the Aging -			
Title III - Part C - Nutrition Services	93.045		
Mobile Meals		N/A	\$ 50,242
Medical Assistance Program Title XIX-	93.778		
Medical Waiver (a)		N/A	22,797
Total Passed Through Valley Area Agency on Aging			<u>89,239</u>
<u>Passed Through the Michigan Family Independence Agency:</u>			
Title IV B Subpart 2 -			
Family Preservation and Support Services			
Strong Families/Safe Children -	93.556		
Family Independence Agency (a)		N/A	27,632
Lapeer Family/Children's Coordinating Council		CAN-02-44001	16,350
Lapeer Family/Children's Coordinating Council		SFSC-02-44002	2,888
Health Department		SFSC-02-44001	41,307
			<u>88,177</u>
Temporary Assistance to Needy Families -	93.558		
Family Focus		CAN-02-44001	12,227
ADC Incentive Payments		N/A	8,458
Medical Incentive Payments		N/A	141,116
Lift Program		WRAP-03-44001	10,523
			<u>172,324</u>
Child Support Enforcement			
Title IV D -	93.563		
Cooperative Reimbursement		CS/COMB-03	610,095
Medical Support Enforcement		CS/MED-03	20,383
			<u>630,478</u>
Total Passed Through the Michigan Family Independence Agency			<u>890,979</u>
<u>Passed Through Michigan Department of Community Health:</u>			
Family Planning	93.217	B1MMCHS05 H000173	<u>87,306</u>
Childhood Immunization Grants -	93.268		
Immunization IAP		N/A	63,210
VFC Provider Site Visits		N/A	1,950
Immunization Vaccine Handling		N/A	7,768
Vaccine Doses		N/A	240,327
Medicaid Immunization IAP		N/A	3,778
			<u>317,033</u>
Centers for Disease Control -	93.283		
Investigations and Technical Assistance -			
Bioterrorism Grant		N/A	<u>124,959</u>

**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - (cont'd):</u>			
<u>Passed Through Michigan Department of Community Health (cont'd):</u>			
State Children Insurance Program	93.767		
MI Child Marketing and Outreach (a)		N/A	\$ 1,900
Maternal and Child Health Services			
Block Grant -	93.994		
Family Planning		N/A	13,613
M+I Support Local MCH		N/A	42,384
CSHCS Outreach and Advocacy		N/A	11,421
Children Special Health Care Programs		N/A	1,918
			<u>69,336</u>
Block Grants for Community Mental Health Services	93.958	N/A	<u>97,562</u>
Total Passed Through Michigan Department of Community Health			<u>698,096</u>
<u>Passed Through St. Clair County Health Department:</u>			
Block Grants for Prevention and Treatment of Substance Abuse -	93.959		
Treatment, Prevention and Women's Treatment (a) (b)		N/A	<u>129,913</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,808,227</u>
<u>U.S. DEPARTMENT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u>			
<u>Passed Through Lapeer County Intermediate School District:</u>			
Learn and Serve America - Serve Michigan Grant	94.004	N/A	<u>21,901</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Passed Through The Michigan Department of State Police:</u>			
State Homeland Security	94.004	N/A	9,950
Emergency Management Performance Grant	97.042	N/A	5,725
State and Local Hazards Emergency Operation Planning	97.051	N/A	<u>5,623</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>21,298</u>
Total Federal Awards			<u>\$ 2,619,935</u>

**LAPEER COUNTY, MICHIGAN**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Lapeer and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE:**

The following descriptions identified below as (a) and (b) represent explanations that cross reference to amounts and headings of the Schedule of Expenditures of Federal Awards.

- (a) Reimbursements of these contracts are not funded 100% by the Federal Government. The revenues reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective reimbursements and are a percentage of total contract expenditures as summarized below:

<u>Program</u>	<u>CFDA</u>	
	<u>Number</u>	<u>Percent</u>
Indoor Radon Grant	66.032	50.00 %
Source Water Assessment Requirements	66.468	83.00
Hazardous Material Disposal	66.801	83.00
Coop. Reimbursement & Medical Support Enforcement	93.563	66.00
Family Planning Services	93.217	69.00/75.00
	93.994	13.00/16.00
CSHCH Outreach and Advocacy	93.994	46.00
Preadmission Screening and Resident Revisions	93.778	69.45
Mi Child Marketing and Outreach	93.767	69.45
Medicaid Outreach and Incentive Payment Project	93.778	50.00
Block Grants for Prevention & Treatment of Substance Abuse –		
Prevention and Treatment	93.959	75.00

- (b) These programs administered by the Lapeer County Health Department were audited by other auditors for the period October 1, 2002 through September 30, 2003. The amount reflected on the Schedule of Expenditures of Federal Awards represents the MDPH/CSAS grant funding for the year ended December 31, 2003.

**NOTE 3 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

The following schedule reconciles the intergovernmental revenues reported in the December 31, 2003 basic financial statements for the primary government and the intergovernmental revenues reported in the various component units 2003 financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards.

	<u>Major Funds</u>	<u>Non-Major Funds</u>	<u>Discretely Presented Component Units</u>	<u>Total</u>
Balance per Financial Statements – Governmental Funds – Intergovernmental revenue	\$ 1,209,181	\$ 2,952,500	\$12,245,349	\$31,407,030
Less:				
State and Local intergovernmental revenue	( 10,078,975)	(1,379,870)	(11,225,639)	(22,684,484)
Federal Revenue – Medical Assistance Program as Vendor Relationship Administered by Michigan Department of Transportation	( 5,082,901)	-	-	( 5,082,901)
	<u>-</u>	<u>-</u>	<u>(1,019,710)</u>	<u>( 1,019,710)</u>
Federal Award Expenditures Revenue per Basic Financial Statements	<u>\$ 1,047,305</u>	<u>\$1,572,630</u>	<u>\$ -</u>	<u>\$ 2,619,935</u>

**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Section I – Summary Of Auditor’s Results:**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal controls over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes      x   no

Reportable condition(s) identified not  
considered to be material weaknesses?   x   yes    \_\_\_\_\_ none reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes      x   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes      x   no

Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Type of auditor’s report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required to  
be reported in accordance with Circular A – 133,  
Section 510(a)? \_\_\_\_\_ yes      x   no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #10.557	Special Supplemental Food Program for Women, Infants and Children
CFDA #93.558	Temporary Assistance to Needy Families
CFDA #93.268	Childhood Immunization Grants
CFDA #93.563	Child Support Enhancement
CFDA #93.959	Block Grants for Prevention and Treatment of Substance Abuse
CFDA #93.994	Maternal and Child Health Services Block Grant

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      x   no

## **Section II – Financial Statement Findings:**

The following two findings are considered to be reportable conditions on internal control over financial reporting that are not considered to be material weaknesses.

**03-1**

### **Program – Non-Major Federal Award Programs**

#### **Controls over Federal and State Grants**

Responsibility for the County to be able to provide the required information for the preparation of the Schedule of Expenditures of Federal Awards that is presented in the annual Single Audit has been increased with the current changes in auditing requirements.

Responsibility for federal and state grants is currently fragmented throughout the County. Information related to grants is often difficult to follow through an audit trail. Evidence of the source of the grant, percentage of federal participation, federal CFDA number, compliance requirements and status of expenditures and/or revenues is difficult to determine for the smaller and newer grants.

During 2003, internal monitoring by the finance department has increased controls over the federal programs (particularly for the major programs), however, it still requires a considerable amount of effort to determine at year end the grant amounts and other pertinent information required for the Schedule of Expenditure of Federal Awards for the nonmajor grants. Also, it is difficult to compare the expenditures per the reports selected for testing to the expenditures per the general ledger.

If the monitoring were increased, internal accounting and administrative controls could be periodically reviewed and evaluated for effectiveness and uniformity of financial and compliance documentation could be achieved. Individual departments and/or individuals responsible for the grants should be required to provide the above describe required information and to timely reconcile the reporting to the general ledger.

**03-2**

### **Program – This Financial Statement Finding does not have an effect on Federal Awards**

#### **Control Over General Ledger Account Balances for Drains**

We understand that the Drain Commission is currently having the accounting software utilized by the County modified to meet the needs of the reporting requirements of the Drain Commission.

This modification is important because with the large amount of activity and the required reporting by the Drain Commission, the maintaining of control totals over assessments receivable and drain notes has been difficult. Also, because of not having readily available information by drainage district, the Treasurer's office has not been able to maintain Drain cash by each District.

We recommend that this adaptation of the County software be given high priority and that procedure be implemented in the drain office to assist both the finance and treasurers department in control over the general ledger account balances, for drains.



**Section III – Federal Award Findings And Questioned Costs:**

There were no Federal Award Findings and Questioned Costs required to be reported by Section 510(a) of OMB Circular A-133.

**Section IV – Prior Year Findings:**

A summary schedule of the prior year financial statement findings has been prepared.



## MANAGEMENT LETTER RELATING TO COMPLIANCE ISSUES

To the Board of Commissioners  
of Lapeer County  
Lapeer, Michigan

As you know, we have recently completed the financial and compliance audits of Lapeer County, Michigan for the year ended December 31, 2003. In connection with the audits, we believe certain changes in your administrative and accounting procedures relating to a certain compliance issue should be implemented. This suggestion is a result of our audit of compliance requirements under ***Government Auditing Standards***. As noted in our ***Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***, dated May 20, 2004, this compliance issue was not considered material.

### Budget Requirements

As indicated in the Notes to Financial Statements, the County of Lapeer has not complied with certain provisions of Public Act 621 of 1978, as amended, the Uniform Budgeting and Accounting Act. Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Act requires the Board of Commissioners to make budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended December 31, 2003, the County (primary government) incurred expenditures in excess of appropriations for five (5) activities of the General Fund and had excess expenditures over appropriations in the four budgeted special revenue funds.

We recommend that the Board of Commissioners amend the budgets as needed, to prevent actual expenditures from exceeding those provided for in the budgets as required by Act 621.

This report is intended solely for the information and use of the audit committee, management, the County Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss these items with you and to provide assistance in the implementation of improvements.

*Stewart, Beauvais & Whipple*

Certified Public Accountants

May 20, 2004

**LAPEER COUNTY, MICHIGAN  
RESPONSES TO AUDIT FINDINGS**

**To: Federal Grantors and Flow-Through Agencies**

**From: John Biscoe, Administrator/Controller**

**Follow-up**

**Response: Single Audit Findings for 2002**

**Date: May 20, 2004**

#### **Response to 2002-1**

The first financial statement reporting control finding relates to our control over the responsibility for having the proper information readily available for the reporting for federal and state grants.

The finance department maintains internal control over federal and state grant programs, however, we recognize that there must be improved communication between the finance personnel and the personnel in the departments administering the programs.

To increase both the communication process and the resulting controls over the grant programs, we had planned on having a presentation at a departmental meeting in 2003 to explain exactly what is needed to be provided the finance office (evidence of source of grant, grant agreement, percentage of federal participant, federal CFDA member, compliance requirements, etc.) The meeting will be scheduled in 2004.

To further provide controls over receiving the aforementioned information on a timely basis, we have wanted to make the information a mandatory procedure in the budgeting process. In order to have the approval for grant revenue and expenditures in the budget, this information must be provided.

#### **Response to 2002-2**

The second financial statements reporting control finding relates to detail subsidiary ledgers for Medical Care Facility third party receivables.

The Medical Care Facility developed subsidiary ledgers for third party receivables for the year ended December 31, 2003. They maintained the subsidiary ledgers and performed timely reconciliation to the general ledger amounts to provide control over the third party receivable balances for the year ended December 31, 2003.

**To: Federal Grantors and Flow-Through Agencies**

**From: John Biscoe, Administrator/Controller**

**Response: Single Audit Findings for 2003**

**Date: May 20, 2004**

**2003-1**

We have reported on the maintenance of internal control over federal and state grants, however because of a hiring freeze, we have not been able to advance as much as we had originally projected.

The meeting we planned in 2003 will be performed in 2004 to inform our departments of the information that is needed to be provided to the finance office (evidence of source of grant, grant agreement, percentage of federal participation, federal CFDA number, compliance requirements, etc.

To further provide controls over receiving the aforementioned information on a timely basis, we have started to make the information a mandatory procedure in the budgeting process. In order to have the approval for grant revenue and expenditures in the budget, this information must be provided.

**2003-2**

We have met with our software provider for the Lapeer County accounting and financial system to modify our general ledger system to accommodate a subsidiary ledger for the drain funds.

As part of the process of maintaining control over the various drain funds we are developing and documenting internal communication and reporting procedures between the drain office, treasurer's office and finance department.